DISCOUNT AND ADVANCE RATES -- Requests by nine Reserve Banks to maintain the existing rate and requests by three Reserve Banks to increase the primary credit rate.

Existing rate maintained.
January 26, 2015.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, New York, Richmond, St. Louis, and Minneapolis had voted on January 15, 2015, and the directors of the Federal Reserve Banks of Cleveland, Atlanta, Chicago, and San Francisco had voted on January 22, to reestablish the existing rate for discounts and advances (3/4 percent) under the primary credit program (primary credit rate). The directors of the Federal Reserve Bank of Kansas City had voted on January 15, and the directors of the Federal Reserve Banks of Philadelphia and Dallas had voted on January 22, to establish a rate of 1 percent (an increase from 3/4 percent). At its meeting on December 15, 2014, the Board had taken no action on similar requests by the Federal Reserve Banks of Philadelphia, Kansas City, and Dallas to increase the primary credit rate.

Federal Reserve Bank directors reported that economic conditions had continued to improve, and they generally were optimistic about economic growth going forward. Directors in most Districts reported gains in consumer spending, although some directors observed that the positive effect of lower energy prices on spending had been less than they had expected. Residential construction was generally soft, but some directors noted that demand for rental properties had spurred construction of multifamily dwellings. Some directors also cited growth in commercial lending and construction. Overall, labor market conditions improved further. Several directors noted recruiting difficulties as well as emerging wage pressures for jobs in some regions and sectors, but increases in broad measures of nominal wages remained modest. Directors noted that inflation continued to run below the Federal Reserve's 2 percent objective. Against this backdrop, most directors recommended that the current primary credit rate be maintained.

As another step toward restoring a pre-crisis discount rate structure, some directors supported increasing the primary credit rate by 25 basis points (to 1 percent) at this time. Such an action would result in a 75-basis-point spread between the primary credit rate and the upper end of the Federal Open Market Committee's target range for the federal funds rate. These directors favored a move toward normalization of the primary credit rate in light of their outlook for economic and financial conditions, as well as their assessments of the risks to that outlook.

Today, Board members considered the primary credit rate and discussed, on a preliminary basis, their individual assessments of the appropriate rate and its communication, which would be discussed at the meeting of the Federal Open Market Committee this week. No sentiment was expressed for changing the primary credit rate before the Committee's meeting, and the existing rate was maintained. Thereafter, a discussion of economic and financial developments and issues related to possible policy actions took place.

Participating in this determination: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.

Background: Office of the Secretary memorandum, January 23, 2015.

Implementation: Transmissions from Mr. Frierson to the Reserve Banks, January 26, 2015.

DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the secondary and seasonal credit rates.

Approved.
January 26, 2015.

The Board approved renewal by the Federal Reserve Banks of Boston, New York, Richmond, St. Louis, Minneapolis, and Kansas City on January 15, 2015, and by the Federal Reserve Banks of Philadelphia, Cleveland, Atlanta, Chicago, Dallas, and San Francisco on January 22, of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs.

Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.

Background: Office of the Secretary memorandum, January 23, 2015.

Implementation: Transmissions from Mr. Frierson to the Reserve Banks, January 26, 2015.